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Minnesota Teachers Retirement Association

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<https://www.minnesotatira.org/>

AT A GLANCE

Who We Serve:

- 144,000 active/inactive teachers
- 70,000 benefit annuitants
- 606 employer units

Revenue sources: (Over last 30 years)

- 73% investment income
- 13% member contributions
- 14% employer unit contributions

Direct Aid and Supplemental Employer Contributions:

- State General Fund annual appropriation of approximately \$16.5 million for merger of Minneapolis Teachers Retirement Fund Association (MTRFA) in 2006.
- \$2.25 million from the City of Minneapolis and \$2.25 million from the Minneapolis School District in direct annual contributions related to the MTRFA merger.
- State General Fund annual appropriation of \$14.4 million for the merger with the Duluth Teachers Retirement Fund Association in 2015.

Staff:

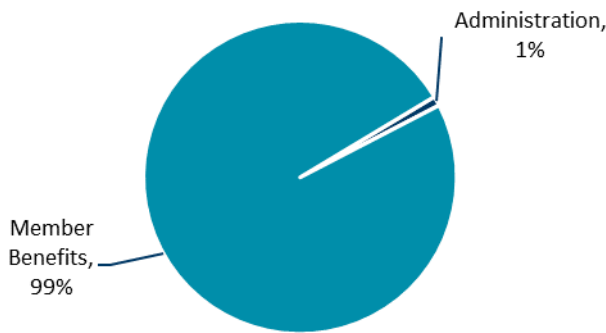
- 110 FTE

PURPOSE

- Provides retirement, disability, and survivor benefits to Minnesota public educators, assisting them in achieving future income security.
- Strives to provide benefits that attract and retain competent teachers who serve communities throughout the state, building a stronger education system.
- Commits to safeguarding the financial integrity of the fund and takes pride in providing exceptional, innovative services to our members.
- Contributes to these statewide outcomes: a thriving economy that encourages business growth and employment opportunities; Minnesotans have the education and skills needed to achieve their goals; and government services are efficient, available, and accountable.

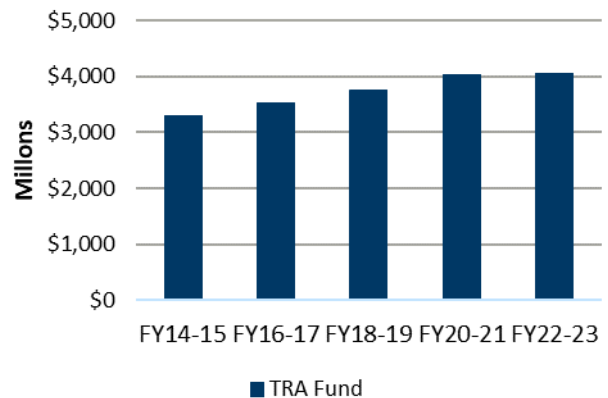
BUDGET

**Spending by Program
FY 2023 Actual**



Source: Budget Planning & Analysis System (BPAS)

Historical Spending



Source: TRA Comprehensive Annual Financial Reports (FY 2014-2023)

TRA was established by the Minnesota legislature in 1931 and is primarily governed by Minnesota Statutes Chapter 354 and 356. The Association is administered by an eight-member board of trustees. TRA is funded through member contributions, employer contributions, and investment earnings on fund assets. Over the thirty years that ended in 2023, approximately 73% of fund revenues occurred through investment earnings. The remaining 27% was funded through member and employer contributions. As of July 1, 2024, TRA members contribute 7.75% of their covered salary to TRA and the employer contribution is 8.75%.

The TRA expenditure budget consists largely (over 99%) of monthly retirement, survivor, and disability payments to members or other benefit recipients. In fiscal year 2024, TRA expects to pay \$180 million per month in benefits to over 70,000 individuals.

TRA's main office is in St. Paul. Satellite offices are located in Duluth, Mankato and St. Cloud.

STRATEGIES

The TRA Board of Trustees and the Management Team are committed to safeguarding the financial integrity of the fund requiring continual monitoring of actuarial condition. Core operational functions include: collecting, recording, and maintaining the accounting of retirement contributions; collecting and managing member information; issuing benefit and refund payments; and educating members and employers about TRA plan features.

RESULTS

During fiscal year 2023, 3,407 members were served with individual pre-retirement counseling services. Another 440 members were served during group counseling. Our video library has grown to 15,979 views received.

In fiscal year 2023, TRA generated 20,393 benefit estimates for members preparing for retirement. TRA members may also securely generate benefit estimates online. TRA members requested 58,230 benefit estimates online during fiscal year 2023.

TRA active, inactive and retired members can establish a secure online account at "My TRA." As of June 30, 2023, 83,523 members can access important member account services online. Additionally, during 2023, members sent us 11,949 secure messages from their online accounts and we sent out 19,570.

During the 2023 legislative session, the Pension Omnibus Budget Bill was passed that lowered TRA’s investment return assumption from 7.50% to 7.00% effective June 30, 2023. The bill also lowered the interest rate used to calculate certain other payments from 7.50% to 7.00%. The Budget Bill also appropriated funds to TRA to pay for a 1.4% one-time lump-sum payment for eligible Coordinated benefit recipients (those covered by Social Security) and a 2.9% one-time lump-sum payment for eligible Basic benefit recipients (those not covered by Social Security), both in addition to the 1.1% post retirement adjustment that was payable January 1, 2024.

The Tax Finance and Policy Bill of 2023 increases contribution rates for both employers and employees, effective July 1, 2025. Employer contribution rates will increase by 0.75% to 9.50% and employee contribution rates will increase by 0.25% to 8.00%. The bill also reduced normal retirement age (NRA) from 66 to 65, effective July 1, 2025, and extended the period to amortize the unfunded liability from June 30, 2048 to June 30, 2053. The 2024 Omnibus Pensions and Retirement Bill contained a provision to accelerate the change to age 65 NRA to June 30, 2024, and another provision to revert the amortization date back to June 30, 2048.

The funded ratio of the plan is an indication of the ability to meet current and future benefit obligations.

<i>Measure name</i>	<i>Measure type</i>	<i>Measure data source</i>	<i>Historical trend</i>	<i>Most recent data</i>
TRA Plan Funding Ratio (Market Value)	Quality	July 1, 2023 Actuarial Valuation	Decreasing	76.42%
TRA Plan Unfunded Actuarial Liability (Market Value)	Quality	July 1, 2023 Actuarial Valuation	Increasing	\$8.3 billion
TRA Plan Contribution Sufficiency/Deficiency (percent of covered payroll- Market Value)	Quality	July 1, 2023 Actuarial Valuation	Decreasing	(2.68%)

Legal authority for the Teachers Retirement Association comes from Minnesota Statutes Chapter 354 (<https://www.revisor.mn.gov/statutes/?id=354>).

Teachers Retirement Association

Agency Expenditure Overview

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base FY26 FY27		Governor's Recommendation FY26 FY27	
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Expenditures by Fund

7300 - Teachers Retirement	2,002,643	2,045,211	2,098,483	2,188,646	2,239,174	2,290,398	2,239,174	2,290,398
Total	2,002,643	2,045,211	2,098,483	2,188,646	2,239,174	2,290,398	2,239,174	2,290,398
Biennial Change				239,274		242,443		242,443
Biennial % Change				6		6		6
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Program

Teachers Retirement Assoc	2,002,643	2,045,211	2,098,483	2,188,646	2,239,174	2,290,398	2,239,174	2,290,398
Total	2,002,643	2,045,211	2,098,483	2,188,646	2,239,174	2,290,398	2,239,174	2,290,398

Expenditures by Category

Compensation	9,610	10,215	11,403	16,135	17,721	18,334	17,721	18,334
Operating Expenses	5,266	5,801	6,764	10,962	10,892	11,487	10,892	11,487
Grants, Aids and Subsidies		6		30	30	31	30	31
Capital Outlay-Real Property				8				
Other Financial Transaction	1,987,767	2,029,188	2,080,316	2,161,511	2,210,531	2,260,546	2,210,531	2,260,546
Total	2,002,643	2,045,211	2,098,483	2,188,646	2,239,174	2,290,398	2,239,174	2,290,398

Full-Time Equivalents

80.66	86.88	88.45	110.00	110.00	110.00	110.00	110.00
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Teachers Retirement Association

Agency Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY22	FY23	FY24	FY25	FY26	FY27	FY26	FY27
7300 - Teachers Retirement								
Open Appropriation	2,003,400	2,045,969	1,923,021	2,160,184	2,239,174	2,290,398	2,239,174	2,290,398
Transfers In			176,167	28,462				
Transfers Out	757	758	705					
Expenditures	2,002,643	2,045,211	2,098,483	2,188,646	2,239,174	2,290,398	2,239,174	2,290,398
Biennial Change in Expenditures				239,274		242,443		242,443
Biennial % Change in Expenditures				6		6		6
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	80.66	86.88	88.45	110.00	110.00	110.00	110.00	110.00

Teachers Retirement Association

Agency Change Summary

(Dollars in Thousands)

	FY25	FY26	FY27	Biennium 2026-27
Open				
Fund: 7300 - Teachers Retirement				
FY2025 Appropriations	2,188,646	2,188,646	2,188,646	4,377,292
Base Adjustments				
Forecast Open Appropriation Adjustment	(28,462)	50,528	101,752	152,280
Forecast Base	2,160,184	2,239,174	2,290,398	4,529,572
Total Governor's Recommendations	2,160,184	2,239,174	2,290,398	4,529,572
Revenue Change Summary				
Non-Dedicated				
Fund: 7300 - Teachers Retirement				
Forecast Revenues	3,238,449	3,362,541	3,445,644	6,808,185
Total Governor's Recommendations	3,238,449	3,362,541	3,445,644	6,808,185